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March 14, 2001

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VIA HAND DELIVERY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *Universal Service Fund*
Docket No. 97-00888

REC'D TH
REGULATORY AUTH.
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OFFICE OF THE
EXECUTIVE SECRETARY

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of BellSouth's Comments. Copies of the enclosed are being provided to counsel of record for all parties.

Very truly yours,

Guy M. Hicks

GMH:ch
Enclosure

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee**

**In Re: *Universal Service Generic Contested Case*
 Docket No. 97-00888**

COMMENTS OF BELL SOUTH TELECOMMUNICATIONS, INC.

At the February 21, 2001 Agenda Conference, the Directors requested Comments on certain issues that relate to the provision of Universal Service in Tennessee. BellSouth Telecommunications, Inc. ("BellSouth") hereby respectfully files its Comments in response to this request, and states the following:

Accounting for the USF Interstate Access Fund in the Intrastate USF

In Phase I of this proceeding, the Tennessee Regulatory Authority ("TRA" or "Authority") determined that the revenue benchmark should include interstate access revenues. The federal CALLS Plan moved part of the interstate switched access revenues into an Access Universal Service Fund ("Access USF"), which provides per line revenue for certain switched lines.¹ Thus, in keeping with the prior decision of this Authority, per line support from the Access USF should be added to the per line revenue benchmark for primary residential lines, which will reduce the per line support requirement for the intrastate USF. This methodology was used in

¹ For example, in Tennessee, the per line support is paid for residential and single line business lines in UNE zones 2 (approximately \$0.23 per line) and UNE zone 3 (approximately \$1.42 per line).

Attachment 4 of BellSouth's Responses filed in this docket on March 7, 2001.

Funding of the Tennessee Relay Center

Telephone Relay Service (TRS) is a service required by law (the Americans with Disabilities Act). All telecommunication carriers are required to provide access to TRS. The intrastate portion of the Tennessee Relay Center is funded through an assessment of incumbent local exchange carriers (ILECs). The Tennessee Relay Center bills BellSouth for the intrastate portion for operating the center. BellSouth acts as the billing coordinator for all ILECs. The assessment amount is first prorated between ILECs and IXCs. The amount prorated to the IXCs is then added into each ILEC's intrastate carrier common line charge (CCLC). The total amount assigned to the ILECs is then prorated to each ILEC. Recovery of the prorated assessment to each ILEC is not explicit. The Tennessee Relay Center should be funded through an assessment of all telecommunications carriers based on their intrastate end user revenues. This is the same methodology that is appropriate for the funding of intrastate USF. The administrator of the intrastate TRS fund should be the same as for interstate USF. Carriers should then be allowed to recover their assessments in any manner they see fit, including a line item charge on end user bills.

Secondary Lines, Line Sharing and the Deployment of Advanced Services

The TRA concluded in Phase I of this proceeding that only primary residential lines are eligible for intrastate USF support. The FCC originally considered this approach, but eventually decided that second lines should be eligible for support. This decision was prompted, at least in part, by practical concerns such as determining which line is primary and which is secondary in a situation in which two carriers serve a single residential customer. At the same time, rates and costs for secondary residential lines are the same as for primary residential lines. Thus, whenever the cost for a given line exceeds revenue, an implicit subsidy exists, regardless of whether the line is primary or secondary. In order to remove these implicit subsidies, both primary and secondary residential lines must be eligible for intrastate USF support. If the TRA concludes that secondary residential lines should be supported by the intrastate universal service fund, BellSouth's support would increase by approximately \$5M (as reflected in Attachment 4 of BellSouth's response of March 7, 2001).

As to the relationship between secondary residential lines and advanced services: to the extent secondary residential lines are used to provide advanced services, then it could be argued that having these lines (and providing USF support) aids in the deployment of advanced services. However, the relationship between secondary lines and advanced services raises complex questions that cannot be readily answered. For example,

while the use of secondary lines may aid the deployment of advanced services, advanced services could also be made available over a primary line. In fact, in a line sharing or line splitting arrangement (discussed more fully below), this is what occurs. Therefore, using line sharing or splitting technology may reduce the need for a second line in some situations. Moreover, to the extent the USF supports the availability of the primary line that is capable of providing "access to advanced services" (as required by § 254(b)(2) of the Act), the USF supports the deployment of advanced services, even if secondary lines are not supported.

Line sharing allows voice services and high-speed data services to be provisioned over the same loop facility. At a point on the loop, a splitter arrangement is installed that allows the voice traffic to be split off and sent to a circuit switch and the data traffic to be sent to a packet switch. In line sharing, the incumbent LEC is always the voice provider. In line splitting arrangements, the voice provider is a CLEC. Line sharing or line splitting may impact the need for secondary residential lines if these arrangements are used as a substitute for a second line. It is premature, however, to say whether a line sharing or line splitting arrangement will be most frequently utilized as a replacement for secondary lines, or simply as an add-on service.

Both the FCC and the State and Federal Joint Board on Universal Service are investigating the relationship between advanced services and USF. Because the FCC is currently including second lines in the federal USF,

it is uncertain whether second lines will be addressed. BellSouth believes it is premature to make a definitive statement on the relationship between second lines and advanced services. The better course is to await the result of the investigations by the FCC and the Joint Board. Therefore, BellSouth submits that the TRA should refrain from any consideration of advanced services deployment in the context of universal service until federal guidelines are established in this regard.

As to the actual deployment of advanced services, BellSouth is aggressively pursuing the deployment of these services in Tennessee based on market demand. By the end of 2001, BellSouth will have equipped 69% of its wirecenters in Tennessee to provide ADSL service. This is a very aggressive deployment schedule given the brief period of time that ADSL has been available. As stated in Attachment 4 of BellSouth's submission in this docket, dated March 7, 2001, 41 of the 96 identified high cost wire centers (i.e., 43%) will be equipped for ADSL service by the end of 2001.

Respectfully submitted,

BELLSOUTH TELECOMMUNICATIONS, INC.

A handwritten signature in black ink, appearing to read "Guy M. Hicks", is written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that on March 14, 2001, a copy of the foregoing document was served on the parties of record, via hand delivery, fax, or U. S. Mail, postage pre-paid, addressed as follows:

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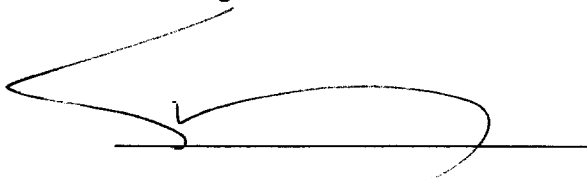
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